



# NORWICH City Council

**Committee name:** Cabinet

**Committee date:** 08/03/2023

**Report title:** Procurement Strategy Update

**Portfolio:** Councillor Kendrick, cabinet member for resources

**Report from:** Head of legal and procurement

**Wards:** All wards

**OPEN PUBLIC ITEM**

**KEY DECISION**

## **Purpose**

The Council's procurement strategy requires that each year, the Cabinet receives an update on how the strategy is being implemented. This report seeks to provide this update.

## **Recommendation:**

It is recommended that Cabinet notes the progress achieved in delivering the procurement strategy

## **Policy framework**

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the corporate priorities for the city to have an inclusive economy in which residents have equal opportunity to flourish and Norwich City Council is in good shape to serve the city

## **Report details**

1. In April 2021, Cabinet agreed a new [procurement strategy](#) that established the Council's approach to commissioning goods and services. The strategy sought to deliver an ambitious range of changes to ensure that 5 key aims were met:
  - a. Provide an efficient and effective procurement service
  - b. Reduce commercial risk
  - c. Work locally, ethically and sustainably
  - d. Drive value for money
  - e. Making procurement mainstream
2. An implementation plan was set out in the strategy and has been benchmarked in Appendix 1 of this report.
3. Over the past year, the Council has made significant progress in delivering its strategy, as is set out below.

## **Provide an efficient and effective procurement service**

4. In April 2022, a new structure for the procurement team came into effect following a service review. Led by a Strategic Procurement Manager, the review introduced a business partner approach, that focuses on engagement with services regarding their future procurement needs, and procurement officers, who oversee the day-to-day purchasing activity. Officers work on category specialisms, providing opportunity to develop specific insight.
5. A skills development matrix was undertaken across the service to support development needs of individual team members to enable us to support individuals development in line with our ambitions for the procurement across the organisation.
6. Following the service review, and utilising data analysis (as reported in the 2021/22 strategy update), the team took forward work to transform the Council's procurement processes. This created an enabling approach for services, with much greater flexibility when undertaking low (less than £25k) and medium (less than £100k) purchases, with the procurement team then focusing on supporting services with high value purchases. The team used business process mapping techniques to challenge operational processes and focused on where guidance and support required development to support services commission. The team are using existing technology available in the Council, most notably sharepoint, to automate processes where possible.
7. Roll out of revised procedures was undertaken in two phases, with an evaluation process in-between to assess the effectiveness of new procedure implementation. The team have now moved to a consolidation phase, evaluating the control environment required to monitor compliance with rules, developing performance information and looking at how the service can be further developed, taking a continuous improvement approach.

## **Reduce Commercial Risk**

8. Contract management has been a key area of focus for the Council over the past year.
9. A comprehensive training programme was recognised as an early important step. All contract managers were offered in-person training sessions provided by leading consultants SPS consultancy which took place between May and June. The Council have deployed an accredited e-learning programme provided by the Government Commercial College on contract management foundations (this is a 1-3 day programme with a formal test). Several members of staff (both contract managers and from the procurement team) have been participating in the Government Commercial College's contract management practitioner course.
10. The Council has been invited to join the Department for Levelling Up, Housing and Communities Contract Management Pioneer Programme. The programme promotes best practice in contract management and encourages Councils to share experiences as well as support the development of national guidance for authorities in commissioning and contract management. This has led to further opportunities for the authority; firstly, as one of the most active participants in the scheme, the Council has been selected to partake in a review by Local Partnerships of its contract management arrangements, with support then provided to implementing further improvements. Secondly, the Council will be accessing training and support for implementing the forthcoming new procurement regulations (see below).
11. A contract management group has now been formed in the Council. This includes a Microsoft Teams group, enabling people to share ideas or ask questions to each other, as well as a schedule of monthly online sessions with presentations to support best practice.
12. The challenging economic situation has meant increasing prominence to the issue of the potential for supplier failure or challenges for suppliers to deliver to agreed contracts. This has been escalated to the corporate register, with a range of action taken including guidance and briefings for staff on managing this risk in their contract management and quarterly financial health checks on all key suppliers.

### **Work ethically, locally and sustainably**

13. In Autumn 2022, the Norwich Good Economy Commission (GEC) published their final report, highlighting the potential that procurement can have in supporting the local economy.
14. In their initial work on anchor institutions, the GEC had indicated that public sector organisations should look to simplify procurement threshold procedures to enable local providers to access the market. This has been achieved through the work set out above and a review of lower value spend (less than £25k) following implementation of the new procedures indicated that 70% of expenditure was with SME organisations.
15. The GEC also suggested authorities should look to analyse their expenditure and identify local spend. This aligns with work undertaken when the anchor institution approach was pioneered in Preston; in 2012, Preston was spending 12% of its annual budget in Preston, but by 2016 this had risen to 28%.

16. In January 2023, we undertook analysis of the active contracts on our contract register to understand our current impact. This identified that 65% of suppliers are based within the Norwich City Council boundary; with a further 5% of suppliers based in the Greater Norwich Growth area. This equates to £250m of the £376m of contracts in the contract register within the Norwich boundary.
17. We have analysed this expenditure on a category basis. Particular areas where we are consistently using local suppliers include waste and environment; building repairs and capital works and in consultancy / advisory services. There are some areas where there is no effective local market (such as utilities and specialist IT services) and some areas where we may be purchasing from local branches of national firms (temporary staff). Nonetheless, this work is useful in telling us where we may be able to usefully target efforts to increase local spend.
18. Taking this work forward into a formal anchor institution approach alongside partners has proved more challenging, but will be a key area of focus over the coming year. We are aware that FUSE Norwich are undertaking work to explore how the anchor institution approach could also be taken forward across the social enterprise sector.
19. A further area for development over the next year is seeking to re-develop our social value in procurement approach. Our current framework encourages services to seek to obtain social value through procurement exercises; whether through formal requirements (such as suppliers must be accredited or working towards living wage accreditation) or through evaluation questions as part of the assessment which form a % value when determining whether to award the contract.
20. Nonetheless, there is opportunity to more clearly articulate what we want to achieve through our procurement in social value terms. The greater the understanding we have of our future commissioning needs supports driving longer term identifiable outcomes from our procurement exercises, and through our contract management approach we can then more effectively measure delivery. For example, a contractor holding a 3 year contract is more likely to take on and train apprentices than a year-by-year contract.
21. Longer term planning is also critical for developing our social value approach aligned more directly to our corporate plan. Frameworks can provide an excellent mechanism for Councils to purchase, but social value criteria within these will usually be more generic; there are key opportunities to look at how the Council purchases to deliver the best combination of value in terms of financial, quality and social.
22. The final key area for development is seeking to support reducing our carbon impact through our approach to commissioning. During this year, Cabinet agreed a revised approach to the Biffa waste collection contract, enabling the Council to change its risk profile in order to support the introduction of an electrified fleet. Whilst this is an example, there are opportunities to look more systematically, the first part of which is the outcomes of work commissioned by the Council's environment strategy to examine carbon in our supply chains. The outcomes of this work will be used to inform our procurement strategy from 2024.

## **Drive Value for Money**

23. The economic situation has meant value for money in procurement has been particularly challenging over the past year. Across most categories, we have seen a reduction in the number of suppliers willing to submit bids or place significant caveats on price modelling. Framework suppliers have similarly experienced challenges with either suppliers removing themselves from frameworks or seeking to re-negotiate price and terms. The procurement team have been working with services to identify ways to promote contract opportunities such as the use of prior information notices to alert contractors in advance.
24. Our supplier financial analysis undertaken last year was used to identify the Council's largest areas of spend within contracts. Each was reviewed to assess whether action was undertaken to review the way the contract was operating and where not, were taken forward as part of the Future Shape Norwich change programme within the Council. Key examples of this work include Biffa, as mentioned above; nplaw, where we have worked with partners to restructure the financial modelling in the contract, and externally-commissioned work to review the NCS environmental services contract.
25. Following the agreement of the HRA business plan, the procurement team recognise the opportunity to work with the housing service and NRL to most effectively assess how we can most effectively procure the housing capital programme moving forwards, a further key area of focus over the next year.

## **Making Procurement Mainstream**

26. The work set out above is still in the early stages of embedding. We recognise there is work to do in terms of ensuring that effective management of the contract life cycle is consistent across the organisation and is providing assurance to the organisation. Nonetheless, there has been a consistently high level of engagement across the organisation in the work undertaken, giving confidence in the ability to ensure these changes will make a lasting difference.
27. We recognise that there is work to develop in terms of our desire to work ethically, locally and sustainably. The prevailing economic conditions do not assist, with a careful balance to be struck between affordability to the council (and in some areas, its tenants and leaseholders) and the longer term benefits of sustainable solutions.
28. Further, there is work we can do, as outlined above, to engage with partner bodies more effectively – whether to support the anchor institution concept, shape the market or where there are opportunities to jointly procure. The recent peer review of the Council has also highlighted the potential for the Council to more effectively engage its customers in designing services, with the potential to weave such an approach into the commissioning lifecycle.
29. Clearly, we have achieved significant results in terms of redesign of services over the past year, but the final aspect of our focus of delivery over the next year will be evaluating how we can more effectively measure our impact and outcomes from the procurement service and our commissioning approach.

## **Procurement Strategy moving forwards**

30. 2023/24 marks the final year of the current procurement strategy. As set out above, there are areas for further development that we will be seeking to work towards conclusion.
31. Our work to form an anchor institution approach and develop local and sustainable procurement is likely to take us beyond this period. As a result, it is likely that this will remain a key area of focus in the strategy moving forwards, and in particular looking at carbon reduction in our supply chains.
32. There is a degree of uncertainty at present regarding procurement processes. A new procurement bill is currently proceeding through parliament, and is likely to come into effect late in 2023. A member of the procurement team has been identified as a national superuser to be part of forums considering practical matters related to the implementation of the new regulations, and we understand that we will be given access to training provided by the Cabinet Office. Nonetheless, another key aim of the procurement strategy moving forwards will be to understand the impact of the new regulations, and particularly where there may be opportunities to work differently to commission services

## **Consultation**

33. No specific consultation has taken place regarding this report

## **Implications**

### **Financial and resources**

34. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2022-26 and budget.
35. The budget for the procurement team is established within the Council's budget and this report does not make any specific resource requests.

## **Legal**

36. The Council is required to comply with a range of legislation in undertaking procurement exercises, including the Public Procurement Regulations 2015 and the Subsidy Act 2022.

## **Statutory considerations**

<b>Consideration</b>	<b>Details of any implications and proposed measures to address:</b>
Equality and diversity	None
Health, social and economic impact	None
Crime and disorder	None
Children and adults safeguarding	None

<b>Consideration</b>	<b>Details of any implications and proposed measures to address:</b>
Environmental impact	None

### **Risk management**

<b>Risk</b>	<b>Consequence</b>	<b>Controls required</b>
Failure to implement the actions necessary to deliver the benefits envisaged through the procurement strategy	The Council does not achieve the aims of the strategy such as value for money or more sustainable procurement	The procurement strategy actions are subject to ongoing monitoring by the procurement team in addition to this annual update. The Council's corporate leadership team also receives periodic updates on progress.

### **Other options considered**

37. None

### **Reasons for the decision/recommendation**


38. The Procurement Strategy calls for an annual update to be provided to Cabinet on the progress achieved in delivering the Strategy. This allows Cabinet to provide oversight and, where necessary, take action if they are dissatisfied with the progress being achieved.

**Background papers: None**

**Appendices: Appendix 1: Procurement Strategy Action Plan, 2022-23**

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PHASE 1 - BUILDING THE INFRASTRUCTURE	
A) The detailed analysis and classification of our third-party expenditure information	
Action taken	Next steps
<ul style="list-style-type: none"> <li>• Consultants were engaged to undertake a detailed procurement value financial analysis.</li> <li>• Workshops were held to understand the data further and analyse where contracts needed to be reviewed.</li> <li>• The highest value areas of spend were identified and compared to current activity and contract monitoring; potential areas of activity were then progressed through the Future Shape Norwich workstreams</li> <li>• The data from the workshops was used to identify how we could work in a more focused way based on higher value contracts</li> </ul>	This activity is now complete
B) The integration of policies, processes and systems underpinning the commercial life cycle	
Action taken	Next steps
<ul style="list-style-type: none"> <li>• Review of other local authorities Contract Procedures for best practice</li> <li>• Review of Contract Procedures and in particular thresholds values for procurement routes</li> <li>• Development of Contracts Register into a Procurement Plan</li> <li>• Drafted a contract management framework including contract management planning and assurance framework</li> <li>• A full review of procurement procedures on a risk-based basis with business process mapping and new procedures devised</li> <li>• Review of all procurement templates and documentation</li> <li>• New procedures fully compliant with transparency regulations</li> <li>• Launch of contract management framework and contract management plan</li> </ul>	This activity is now complete

<ul style="list-style-type: none"> <li>Establishment of contract management group and annual schedule of workshops</li> </ul>	
<b>C) The development of skills and knowledge programmes for those involved in any aspect of the commercial life cycle</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>We have developed and rolled out a range of training including: <ul style="list-style-type: none"> <li>SPS consultancy have provided in-house and online dedicated contract management training sessions</li> <li>Several officers have taken part in the Government Commercial College's Contract Management Practitioner Programme</li> <li>The Government Commercial College's e-learning foundation course in contract management is now permanently available for staff on the Council's e-learning portal</li> </ul> </li> <li>Through participation in the DHLUC contract management pioneer programme we are provided access to a range of webinar's and knowledge sharing events which we have promoted in the organisation</li> <li>We have established a contract manager teams group in the Council and have developed a schedule of monthly knowledge sharing events</li> <li>Following the procurement service review concluding in April 2022, the team have developed a skills matrix identifying training needs across the service.</li> </ul>	<ul style="list-style-type: none"> <li>To continue to embed the learning and development approach, creating a continuous learning environment</li> <li>To evaluate development needs for Councillors</li> </ul>
<b>D) The reaching out to local businesses, including the voluntary, community and social enterprise sector to understand their priorities and what they want from us as a Council</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>We have been working to develop an Anchor Institution approach following the Norwich Good Economy Commission. It has proved challenging to engage with other sector providers effectively.</li> <li>FUSE have been commissioned (outside the Council) to undertake a review of how the anchor institution approach can be adopted to support the social</li> </ul>	<ul style="list-style-type: none"> <li>Undertake focused work in those areas where local spend is proportionately lower to understand potential market development opportunities</li> <li>Continue to progress work to support establishment of an Anchor Institution approach in Norwich</li> </ul>

<p>enterprise sector locally. We are actively engaging with them on this work to see what lessons the Council can learn and adopt.</p> <ul style="list-style-type: none"> <li>• We have undertaken analysis of our own local spend which has highlighted our comparative effectiveness in spending locally, but also identified those areas where local spending is not as prominent</li> </ul>	
<b>E) The piloting of a category review, refining processes and documenting lessons learned</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>• Categories included on the Contract Register</li> <li>• Financial analysis has identified categorisation of spend</li> <li>• Workshops held with each head of service to understand their short, medium term procurement needs</li> <li>• Proposed new team structure based on business partner model</li> <li>• Attendance at appropriate external led workshops for example Crown Commercial IT frameworks</li> </ul>	<ul style="list-style-type: none"> <li>• Identify further 'category management' knowledge bases</li> <li>• Skills development of team. See Phase 2 C)</li> </ul>
<b>F) The creation of an ambitious cultural change management programme, which will include an analysis of the likely impact on different parts of the business, to underpin all of the above.</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>• Diagnostic survey undertaken to understand current knowledge and development areas (reported in the March 2022 procurement strategy update)</li> <li>• Development and agreement of the contract management framework</li> <li>• Development of the training and support programme for contract management</li> <li>• Modifications to the procurement procedures to more effectively enable services with regards lower contract spend and more engagement from procurement on higher priority spend</li> </ul>	<ul style="list-style-type: none"> <li>• Review the findings of the corporate culture review and both the national and council diagnostics where procurement culture doesn't align with strategy principles</li> </ul>
<b>PHASE 2 – EMBEDDING THE CHANGES</b>	

<b>A) Refinement of our new policies, processes and systems to ensure that they are working correctly and delivering the intended results and outcomes</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>We have undertaken a comprehensive review of all procedures, including business process mapping. Re-engineered processes have been rolled out across the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop the approach based on learning and identification of new technologies (such as full transfer of the contract register to sharepoint)</li> <li>Actively seek feedback from the organisation on the benefits being achieved from changed processes</li> </ul>
<b>B) Gaining internal stakeholder buy in to change</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>We have introduced business partners within the procurement team to have clear leads and work more actively with services on forthcoming procurement needs</li> <li>Successful roll-out of new procurement procedures and models</li> </ul>	<ul style="list-style-type: none"> <li>Actively seek feedback from the organisation on the benefits being achieved from changed processes</li> </ul>
<b>C) Developing people skills and knowledge deployment to help individuals excel in their commissioning and contract &amp; relationship management activities</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>See above regarding training and development programme being deployed</li> </ul>	<ul style="list-style-type: none"> <li>Action is considered complete</li> </ul>
<b>D) Introducing a marketing and communications plan to advance internal customer service capability and communicate effectively with our partners and suppliers</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>We have enhanced the information available on the Council's website relating to procurement including active, regular publication of the contract register</li> <li>Use of twitter, LinkedIn and other social media to advertise opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Development of a more formal marketing and communications approach to opportunities</li> </ul>
<b>E) Building internal capacity and expertise for the future</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>We have concluded a review of the team structure and developed a skills matrix. This includes clearer pathways for team development</li> </ul>	<ul style="list-style-type: none"> <li>This is substantively complete</li> </ul>

<ul style="list-style-type: none"> <li>We have enhanced the training offer across the organisation</li> <li>We are currently rationalising action plans across the service area based on our continuous improvement approach, such as introducing e-signing and sealing of documents to improve efficiency</li> </ul>	
<b>F) Agreeing a rolling programme of category reviews</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>Within the procurement team, specific category leads have been identified</li> </ul>	<ul style="list-style-type: none"> <li>This work now needs to be taken forward, potentially aligned with our local supplier and sustainability work</li> </ul>
<b>G) Ongoing engagement with our sustainability and social value work</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>Existing procurement exercises have specific criteria related to social value, including environmental sustainability.</li> <li>As part of our review of procurement guidance, specific reference has been made to sustainability and social value</li> <li>We have clarified our view of local spend and analysed our local spend</li> <li>The energy strategy team has commissioned a review of carbon in our supply chains which will allow us to more clearly target specific contracts and areas of spend for carbon reduction</li> </ul>	<ul style="list-style-type: none"> <li>Re-develop sustainability framework and our mechanisms for measuring sustainability outcomes</li> <li>Analyse outcomes of carbon in supply chain review</li> </ul>

<b>PHASE 3 – DELIVERING THE OUTCOMES</b>	
<b>A) Continuing to manage the changes and communications processes developed</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>We have moved into a consolidation phase in relation to our internal changes to process. This includes a review of the effectiveness of changes, and the necessary control steps to monitor service implementation.</li> <li>We have established the contract manager group internally to continue</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit review to assess assurance that can be given over changed processes (provisionally scheduled for Q1 2023/24)</li> </ul>

to communicate regularly with contract managers about procurement changes	
<b>B) Refining and developing our ability to meet changed priorities and targets</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>• We have been actively participating in major internal change programmes, including the new ERP (HR &amp; Finance systems)</li> <li>• The Service Manager participates in the Design Authority, which was established as part of the Future Shape Norwich change programme. This enables early insight into developing proposals from a procurement perspective, allowing the team to align resources to support change programmes</li> <li>• Through the business partners, we are more actively working with services to identify forthcoming procurement needs</li> </ul>	<ul style="list-style-type: none"> <li>• Following the agreement of the HRA business plan (December 2022) and budget / MTFS (February 2023), the intention is to work in a more focused way with the housing team to look at how we can most effectively procure and manage housing contracts moving forwards</li> </ul>
<b>C) Establishing a new 'business as usual' model</b>	
<b>Action taken</b>	<b>Next steps</b>
<ul style="list-style-type: none"> <li>• As above, the team have overhauled the processes and procedures for procuring goods and services within the Council</li> <li>• It should be recognised that whilst this has been undertaken, developing a continuous improvement approach means that we will continue to evolve and develop rather than a static "business as usual" model</li> </ul>	<ul style="list-style-type: none"> <li>• To use the next steps outlined across all areas of activity above to continue to develop the service.</li> </ul>